Saskatchewan Water Corporation
Retirement Allowance Plan

Financial Statements

Year Ended December 31, 2011

Provincial Auditor Saskatchewan

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INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Water Corporation Retirement Allowance Plan which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the statement of changes in net assets available for benefits and the statement of changes in benefits obligation for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Water Corporation Retirement Allowance Plan as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statement of changes in net assets available for benefits and the statement of changes in benefits obligation for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian accounting standards for pension plans.

Regina, Saskatchewan
February 23, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

Saskatchewan Water Corporation
Retirement Allowance Plan
Statement of Financial Position

Statement 1

As At December 31

	2011	2010	January 1, 2010
NET ASSETS AVAILABLE FOR BENEFITS			
SaskWater contribution receivable (Note 3)	$211,300	$188,300	$192,800
	211,300	188,300	192,800
Benefits obligation (Note 3)	211,300	188,300	192,800
Surplus	$ -	$ -	$ -

(See accompanying notes to the financial statements)

Saskatchewan Water Corporation
Retirement Allowance Plan **Statement 2**
Statement of Changes in Net Assets Available for Benefits

Year Ended December 31

	2011	2010
INCREASE IN ASSETS		
SaskWater contribution receivable (Note 3)	$ 33,200	$ 37,900
Total increase in assets	33,200	37,900
DECREASE IN ASSETS		
Benefit payments	10,200	42,400
Total decrease in assets	10,200	42,400
Increase (decrease) increase in net assets	23,000	(4,500)
NET ASSETS AVAILABLE FOR BENEFITS, Beginning of the year	188,300	192,800
NET ASSETS AVAILABLE FOR BENEFITS, end of the year (Statement 1)	$211,300	$188,300

(See accompanying notes to the financial statements)

Saskatchewan Water Corporation
Retirement Allowance Plan **Statement 3**
Statement of Changes in Benefits Obligation

Year Ended December 31

	2011	2010
Benefits obligation, beginning of the year	$188,300	$192,800
INCREASE IN BENEFITS OBLIGATION:		
Benefits accrued	10,400	8,000
Interest on accrued benefits	9,100	9,900
Plan experience	6,300	13,000
Change in plan assumptions	7,400	7,000
	33,200	37,900
DECREASE IN BENEFITS OBLIGATION:		
Benefit payments	10,200	42,400
	10,200	42,400
Benefits obligation, end of the year (Statement 1)	$211,300	$188,300

(See accompanying notes to the financial statements)

Saskatchewan Water Corporation
Retirement Allowance Plan
Notes to the Financial Statements

December 31, 2011

1. Description of the Plan

The Saskatchewan Water Corporation (the Corporation) established the Saskatchewan Water Corporation Retirement Allowance Plan (the Plan) on April 1, 1999 for the purpose of providing certain retirement benefits to out-of-scope employees of the Corporation.

The Plan is not registered as a pension plan under the *Income Tax Act (Canada)*. The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of the Corporation.

The Corporation managed the Plan from April 1, 1999 to November 16, 2004. On November 16, 2004, an Order in Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA). An agreement has been established between PEBA and the Corporation, which specifies the administrative services that the Corporation will provide.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Eligibility

The Plan includes all out-of-scope employees of the Corporation. As at December 31, 2011, there were 34 (2010 – 33) active members in the plan.

Benefits

Members of the Plan retiring from the Corporation, in accordance with the provisions of the pension plan they are enrolled in, are paid a retirement allowance of two (2) days pay for each year of service or portion thereof to a maximum of forty-three (43) days pay. The retirement allowance is calculated at the employee's regular rate of pay at the date of retirement.

2. Significant Accounting Policies

Effective January 1, 2011 the Plan adopted Canadian accounting standards for pension plans. For accounting policies that do not relate to its benefit obligations, the financial statements comply with International Financial Reporting Standards, to the extent that these standards do not conflict with Canadian accounting standards for pension plans. These standards have been implemented retroactively.

The Plan's financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP). While Canadian GAAP differs in some areas from Canadian accounting standards for pension plans, there were no differences that materially affected the financial statements of the Plan.

3. Benefits Obligation

The benefits obligation of the Plan is receivable from the Corporation and will be funded by the Corporation as eligible employees retire. The present value of the benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of the Corporation's management. Plan experience is the difference between the expected and actual benefits obligation and is recognized as an increase or decrease in the statement of changes in benefits obligation. Aon Consulting Inc. performed an actuarial valuation as at December 31, 2011 and December 31, 2010 to determine the actuarial present value of the benefits obligation. The effective date of the next required actuarial valuation is December 31, 2012.

The benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The actuarial valuation is based on the following assumptions:

	2011	2010
Discount rate	4.00%	4.70%
Inflation rate	2.50%	2.50%
Salary increase	3.00%	3.00%
Termination rate up to age 50	5.00%	5.00%

Retirement - members of the Capital Pension Plan – at age 60
- members of the Public Service Superannuation Plan – at the earlier of age 60 (20 years of service), age 65 or 35 years of service.

The following illustrates the effect of changes in these assumptions on the accrued benefits obligation:

Assumption	Change Made	Change in Obligation at December 31, 2011	Percentage Change in Obligation
Annual Termination Rate	Plus 0.5%	(1,500)	(0.7%)
	Minus 0.5%	1,500	0.7%
Discount Rate	Plus 0.5%	(5,300)	(2.5%)
	Minus 0.5%	5,700	2.7%
General Salary Increase	Plus 0.5%	5,800	2.7%
	Minus 0.5%	(5,400)	(2.6%)

The actuarial present value of the accrued benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is not practicable.

4. Financial Risk Management

The nature of the Plan's operations result in a statement of financial position, changes in net assets available for benefits, and changes in benefit obligations. As benefits are funded out of current operations of the Corporation, the plan's financial risks relate primarily to credit risk. The maximum credit risk to which it is exposed at December 31, 2011 is limited to the carrying value of its contributions receivable from the Corporation.

5. Related Parties

Included in these financial statements are transactions with the Corporation who is related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from the Corporation at no charge. Additionally, PEBA provides administrative services to the Plan for an administration fee which is paid by the Corporation.